

State of Washington
Department of Labor and Industries
2006 Supplemental Decision Package

Decision Package Code/Title	NP	Health Care Provider Identifier
Budget Period	2005-07	2006 Supplemental Budget
Budget Level	M2	Maintenance Level

Recommendation Summary Text

REVISED 10/26/05

The national Health Insurance Portability and Accountability Act (HIPAA) requires the use of a National Provider Identification (NPI) code by May 2007. One-time project funding is requested for the contract programming necessary to modify L&I medical provider information and payment systems and related claim information systems.

Fiscal Detail:

	FY 2006	FY 2007	TOTAL
Staffing (B6):			
02V-PSEA	0.0	0.0	0.0
TOTAL FTEs	0.0	0.0	0.0

	FY 2006	FY 2007	TOTAL
Operating Expenditures:			
02V-1 PSEA - State		40,000	40,000
609-1 Medical Aid Fund - State	0	470,000	470,000
TOTAL Expenditures	0	510,000	510,000

Package Description:

Background:

The Health Insurance Portability and Accountability Act of 1996 (HIPAA) mandated that Health and Human Services (HHS) adopt a standard unique health identifier for health care providers. The reasons for adopting a single provider identifier are to simplify administration and set a national standard for transmission of electronic health information. This is consistent with the State's goals to simplify administrative burden on health care providers and expand use of e-business.

In May 2007 all health care providers in the United States will be required to use a national provider number to transact business with health care insurers. Existing L&I systems do not currently have the capability of handling the national provider number.

When the NPI is implemented, only the NPI will be used to identify health care providers in all standard transactions. Old legacy identification numbers, such as Blue Cross and Blue Shield provider numbers or Medicaid numbers, will not be permitted. The NPI is being issued by the federal government to providers who meet the Centers for Medicare and Medicaid Services (CMS) definition of health care providers. Health care providers will no longer use multiple numbers to identify

themselves in standard transactions when billing insurers. The HHS website containing more information about NPI is: <http://www.cms.hhs.gov/hipaa/hipaa2/regulations/identifiers/default.asp>

Similar to a Social Security Number, the NPI will eventually become the primary health care provider identifier for standard claims and billing transactions. Health care providers will no longer use a separate identification number for each insurer.

Most L&I systems (mainframe, data warehouse, web applications, etc.) will need to accept and utilize the NPI. This is essential to maintain data integrity and interoperability between internal shared systems and with external health care providers. Right now the bill payment systems are the most critical ones in need of change. Currently, 65 percent of medical bills are submitted electronically to L&I. Electronic submission of bills:

- Reduces the administrative burden on providers
- Minimizes the number of FTEs devoted to medical bill payment
- Speeds up bill payment (15 days using electronic versus 30 days with paper)
- Increases program efficiency by reducing paper bill handling and storage at L&I

Use of paper bills will soon be an obsolete method of paying health care providers. Private health insurers in the State accept about 85 percent of bills electronically and are trying to increase this percentage. L&I is currently working to increase the percentage of bills received electronically from 65 percent to 90 percent -- from 2 million bills a year to 2.8 million a year. By expanding L&I's use of electronic billing, the department will reduce administrative burden on providers and increase the efficiencies of department bill payers.

The advantages of adopting NPI are simplified administration for providers and continued ability to accept their electronic bills. If L&I does not accommodate the NPI, providers will no longer be able to submit electronic bills. The department's inability to accept electronic bills would cause serious inefficiencies and dramatically reduce customer service to physicians and hospitals. Being out-of-date by not adopting national standards would negatively impact injured workers' access to needed health care. Large providers that bill electronically would unlikely change their operations to generate paper bills. This will reduce the number of medical providers willing to accept L&I patients.

Although L&I is not required to utilize the NPI as it is exempt from HIPAA compliance, the department made a business decision in 2000 to be HIPAA compliant. This is essential to support electronic billing services for providers. In addition, this maintains consistency with the other state health care purchasers as required by RCW 41.05.013. The Washington Health Care Forum's administrative simplification efforts include tracking local health insurers' progress toward adopting NPI: <http://www.wahealthcareforum.org/npi/default.asp>.

If the department chooses not to utilize the NPI, it may be in violation of RCW 41.05.013, which requires all state health care purchasing agencies to maintain consistency. But, more important, it places an unnecessary administrative burden on the providers who may then choose not to deal with L&I and not accept injured worker cases. Additional problems include:

- L&I operates with an out-of-date electronic billing and payment system.
- Providers have to maintain unique numbers only for conducting business with L&I.
- Forces providers billing electronically to shift back to using paper bills.

This request is based on the programming hours forecasted to change L&I's priority information systems. The major systems impacted are the Medical Information Payment System (MIPS), Medical Information Payment Crime Victims (MIPC), Medical Point of Service System (MPOS), and Provider Express Billing (PEB). Other systems impacted include Claims and Account Center (CAC), Document Imaging (IDM), Data Warehouse, Accounts Receivable (ARC) and Shared Security Services. Each system will need to be programmed to allow providers to use their new NPI to conduct business with the department.

This budget request includes the cost for programming L&I's bill payment and related systems to accept either the NPI or the unique L&I account number. In preparation for the needed work, the department has funded a project manager and a consultant to begin the transition to the NPI. However, the agency does not have the capacity within current appropriations for the contract programming required to complete the work in time for the May 2007 federal deadline.

Narrative Justification and Impact Statement

This decision package supports the following Priorities of Government:

- Improve the economic vitality of businesses and individuals (POG Result 6)
- Improve the quality and productivity of our workforce (POG Result 2)
- Improve the ability of state government to achieve its results efficiently and effectively (POG Result 11)

Performance Measure Detail:

Goal(s) to which this change is tied:

1. Make critical decisions about claims more quickly (Manage workers' compensation claims processes as efficiently as possible. This will result in more timely benefits and also reduced costs.)
2. Return injured workers to employment as soon as they are medically able.

	Incremental Changes	
Performance Measure Changes:	<u>FY 2006</u>	<u>FY 2007</u>

Outcome Measures:

Statement of Expected Results:

L&I's bill payment systems will be updated to allow use of the NPI by health care providers.

Reason for change

In order to maintain broad injured worker access to physicians and other health care providers, L&I must use the new national standard for electronic health transactions. To do so, it is essential for L&I to modernize its electronic billing and payment systems. The department must be able to accept the National Provider Identifier. If the department cannot accept the NPI, many providers will likely refuse to treat injured workers due to the inefficiencies of paper billing. Effective May 2007, federal HIPAA laws require providers to use the National Provider Identifier for all bills submitted electronically.

Impact of the change on clients and services

If fully funded, medical providers will continue to be able to bill the department electronically. Injured workers will be assured access to a broad pool of medical providers.

Other impacted programs/divisions/regions

None

Relationship to capital budget

None

Required changes to existing RCW, WAC, contract or plan

None

Alternatives explored by agency

The alternative of not adopting the NPI was considered. However, it is not a viable alternative because the department will be forced to make providers submit bills using the unique L&I provider number while other insurers will be allowing the use of the NPI. This will increase administrative burden on providers who may choose not to be a medical provider of injured workers. It will also cause large inefficiencies by expanding the number of paper bills that have to be key entered by bill payment staff.

Budget impacts in future biennia

Starting in the 2007-2009 bienna an on-going DIS costs will be charged to L&I to cover mainframe usage and data storage needs. Information Systems staff project these costs to be \$129,720 per biennia.

Distinction between one-time and on-going costs

All Fiscal Year 2007 costs are assumed to be one-time programming costs. The future biennia costs are assumed to be on-going costs.

Effects of non-funding

Failure to adopt NPI will likely result in a reduction of injured worker access to providers as the burden of doing business with the department increases. This conflicts with L&I's efforts to reduce administrative burden on medical providers. The medical community will see the added requirement to maintain unique provider numbers as an additional burden and may cease seeing injured workers all together.

Non-funding would have a negative impact on the department's ability to offer up-to-date billing services to the provider community. It would create conflict between L&I and providers due to inefficient billing processes and outdated technology.

Expenditure Calculations and Assumptions

Assumptions:

- There are core systems that need immediate changes, which are listed in the table below.
- Programming effort to complete the system conversion to accept NPI is 5,641 hours.
- Cost of programming services averages \$90.41 per hour.
- Cost for mainframe usage and data storage \$129,720 per biennia.
 - 2 MIPS at \$2,850 per month times 24 months = \$68,400
 - 10 GIG at \$2,554 per month times 24 months = \$61,320
- Increased maintenance is NOT required.
- Non-priority systems can be identified and changed over time.

System	Description	Programming Hours	Programming Costs
MIPS	Healthcare and non-healthcare provider bills processing and remittance advice	2,000	\$160,000
PEB	Provider Express Billing allows providers to electronically bill the department for services	1,000	\$80,000
CAC (ORCA)	Web-based access to claim and provider billing information	731	\$73,100
Imaging System	Document imaging system provides paperless claim files to claim managers	333	\$62,500
MIPC	Crime Victims bills processing, and remittance advice	500	\$40,000
MPOS	Pharmacy Point-of-Service (external customer access) system (online pharmacy prescription bill processing)	500	\$40,000
Security Systems	Shared security services protects privacy of health information	400	\$40,000
Data Warehouse	Data warehouse maintains provider billing history for analysis of health care costs	125	\$10,000
ARC	Accounts receivable system tracks amounts owed by providers	52	\$4,400

Total		5,641	\$510,000
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	FY 2006	FY 2007	TOTAL Biennium	Biennium 2007-2009	Biennium 2009-2011	TOTAL
FTEs	0.0	0.0	0.0	0.0	0.0	0.0
Objects of Expenditure:						
A - Salary and Wages	0	0	0	0	0	0
B - Employee Benefits	0	0	0	0	0	0
C - Personal Service Contracts	0	0	0	0	0	0
E - Goods and Services	0	510,000	510,000	129,720	129,720	769,440
G - Travel	0	0	0	0	0	0
J - Capital Outlays	0	0	0	0	0	0
TOTAL Expenditures	0	510,000	510,000	129,720	129,720	769,440

Funds:						
001-General Fund	0	0	0	0	0	0
02V-PSEA	0	40,000	40,000	10,120	10,120	60,240
095 Electrical	0	0	0	0	0	0
608 Accident Account	0	0	0	0	0	0
609 Medical Aid Account	0	470,000	470,000	119,600	119,600	709,200
Other (specify fund code)	0	0	0	0	0	0
TOTAL Funds	0	510,000	510,000	129,720	129,720	769,440